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TOMBILL MINES LIMITED



Thirty-Fifth Annual Report

FOR THE YEAR ENDED 31st DECEMBER 1971



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TOMBILL MINES LIMITED

Incorporated under the laws of the Province of Ontario

DIRECTORS

J. L. CARPENTER	-	-	-	-	-	-	-	Toronto, Ont.
K. S. DALTON	-	-	-	-	-	-	-	Toronto, Ont.
J. A. GRANT	-	-	-	-	-	-	-	Toronto, Ont.
FOSTER W. HEWITT	-	-	-	-	-	-	-	Toronto, Ont.
H. A. MCKENZIE	-	-	-	-	-	-	-	Toronto, Ont.
W. A. MORRICE	-	-	-	-	-	-	-	Toronto, Ont.
S. H. ROBINSON	-	-	-	-	-	-	-	Toronto, Ont.
R. V. TOMKINS	-	-	-	-	-	-	-	Regina, Sask.
DR. OLIVER C. WALDRON	-	-	-	-	-	-	-	Toronto, Ont.

OFFICERS

J. A. GRANT	-	-	-	-	-	-	-	<i>Chairman of the Board</i>
H. A. MCKENZIE	-	-	-	-	-	-	-	<i>President</i>
S. H. ROBINSON	-	-	-	-	-	-	-	<i>Vice-President</i>
R. V. TOMKINS	-	-	-	-	-	-	-	<i>Vice-President</i>
H. L. GOOD	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>

HEAD OFFICE

Suite 710 — 60 Yonge Street, Toronto, Ont.

GOLD MINE PROPERTY

Geraldton, Ont.

REGISTRAR AND TRANSFER AGENT

CROWN TRUST COMPANY, 302 Bay St., Toronto, Ont.

AUDITORS

GRIER, DYER & Co., Toronto, Ont.

COUNSEL

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, Toronto, Ont.

ANNUAL MEETING

The Annual Meeting of the Company will be held in the Algonquin Room, Royal York Hotel, 100 Front Street West, Toronto 1, Ontario, Tuesday, April 11th, 1972, at 11:00 o'clock in the forenoon, Toronto time.

TOMBILL MINES LIMITED

Directors' Report

To the Shareholders:

The Directors submit herewith the Thirty-Fifth Report of your Company including Financial Statements and Auditors' Report for 1971.

The Company's 1971 revenue from dividends and interest amounted to \$67,881, compared with \$188,803 for 1970 — a decrease of \$120,922. The decrease was largely due to Hudson Bay Mining & Smelting Co. Ltd., by reason of a prolonged strike at Flin Flon, and depressed world prices for metals, passing their second quarter dividend and paying only 10¢ per share for the third quarter. Hudson Bay in December 1971 declared a dividend of 10¢ for the fourth quarter, payable February 1st, 1972.

FRANCANA MINERALS LTD.

The Sodium Sulphate plant at Grant, Saskatchewan, operated at a higher tonnage. There were some modifications to the plant, provision was made in the storage area for a greater tonnage of detergent grade which resulted in better service to the customers.

An adequate supply of crude Glauber's Salt was harvested from Snakehole Lake to feed the refinery in 1971 with a good back-up reserve of excellent grade available at the Verlo Lakes.

The total tonnage produced in 1971 was the largest since the plant commenced operating. There was a softening of prices at year end, the operation showing a loss. The sales for Francana's excellent detergent grade improved appreciably during the year, sales to the depressed Paper Industry were down 15% from 1970. The forecast for 1972 by Francana's Sales Agents is favourable for an increase in sales but unfavourable as regards prices.

In order to facilitate refinancing arrangements, Hudson Bay and your Company waived interest to December 31, 1971 on their loans to Francana of \$420,000 and \$280,000 respectively.

METALLIC MINERALS EXPLORATION

The Company was active in field exploration during 1971. To stretch our limited budget, our projects were shared on a joint venture basis with Gunnex Limited, the Mineral Division of Bovis Corporation Limited, CanPac Minerals Limited, the Mining Division of Canadian Pacific Oil & Gas Limited, and Hanson Mines Ltd.

VOGT TOWNSHIP, ONTARIO (Joint project: Tombill-Gunnex)

In a joint venture with Gunnex Limited a programme of diamond drilling was carried out to test a zone of copper mineralization as well as geophysical and geochemical indications located on 25 claims in Ontario and optioned in 1970. Mineralization intersected in the drilling proved uneconomic and the option has been dropped.

DUPARQUET TOWNSHIP, QUEBEC (Joint project: Tombill-Hanson-Gunnex)

In 1970 a group of 29 claims was staked covering certain electromagnetic anomalies which had been previously established in Western Quebec. A complete geophysical programme was carried out this year to verify the magnitude of the anomalies. A diamond drill programme to test the main anomalous zone failed to intersect mineralization. The claims were then allowed to lapse.

NEWCASTLE, NEW BRUNSWICK

(Joint project: Tombill-Gunnex)

Sixteen claims were staked in 1970 in Central New Brunswick to cover copper-zinc-silver mineralization in boulders in the overburden. Geophysical and geochemical surveys were conducted over these claims. In view of disappointing results the claims have been allowed to lapse.

CARIBOU LAKE AREA, ONTARIO

(Joint project: Tombill-Gunnex-CanPac)

A group of 12 claims staked in 1970 to cover widespread low copper-nickel mineralization was tested this year with a complete geophysical and geochemical programme. All anomalies were found by extensive trenching and sampling to be due to uneconomic sulphide deposits. It is recommended that no further work be considered at this time.

There has been sufficient work done on these claims to keep them in good standing until 1973.

ROSSPORT, ONTARIO

Your Company took out a temporary reservation to do exploratory work in the Lake Superior area, with the purpose of trying to establish a source of copper float. A helicopter airborne survey was conducted over this region in addition to surface geophysical and lake bottom geochemical surveys.

It is proposed that your Company research and conduct a continuing programme of exploration in this area in 1972.

DOROTHEA TOWNSHIP, ONTARIO

(Joint project: Tombill-Gunnex-CanPac)

During the summer two groups totalling 45 claims were optioned in Western Ontario. The claims covered a number of copper, molybdenum and gold showings. Geophysical and geochemical surveys were conducted over the entire property in addition to surface trenching, test pitting and bulk sampling.

While the surveys returned a number of anomalies no new mineralization was indicated. A large

body of disseminated copper and molybdenum mineralization proved to be too low in grade to warrant drilling. The options have been dropped.

The Dorothea Township work was completed under the Ontario Government's Exploration Assistance Programme.

GENERAL

After a thorough market investigation the Saskatchewan Subsurface Minerals Permit for magnesium was allowed to lapse.

No work was carried out on the Geraldton property or on the gold property of Craskie Mines Limited in Port Arthur Mining Division, Ontario.

A programme of some 20,000 feet of surface diamond drilling has been carried out by Algoma Steel Corporation on Little Long Lac Mines Limited property and the Nordarm Claims which have a partial north common boundary with Tombill's Geraldton property. This drilling has outlined a concentration of iron bearing material 9,000 feet long and 600 to 1,200 feet wide. The work carried out has indicated something like 325,000,000 tons to a depth of 1,000 feet — grading 25.2% iron. Tombill, by limited surface work in past years, has indicated the extension of this iron-bearing material on its ground.

Mr. Alan B. McKerron resigned as a Director on returning to South Africa. Dr. Oliver C. Waldron, a Vice-President of Anglo American Corporation of Canada Limited, was elected a Director of this Company.

The Directors express their appreciation for the co-operation of the Company's staff during the past year.

On behalf of the Board.

JAMES A. GRANT
Chairman

H. A. McKENZIE
President

Toronto, Ontario
February 29th, 1972

TOMBILL MI

(Incorporated under the law of Ontario)

Balance Sheet as at

(1970 figures shown in thousands of dollars)

ASSETS		1971	1970
		<u>1971</u>	<u>1970</u>
Current:			
Cash	\$	3,306	\$ 5,253
Accounts receivable		6,392	652
Short term notes and accrued interest		65,970	115,509
Interest on advance to Francana Minerals Ltd. (Note 1)			20,022
		<u>75,668</u>	<u>141,436</u>
Advance to Francana Minerals Ltd. (Note 1)		280,000	280,000
Investments:			
Hudson Bay Mining and Smelting Co. Limited — at cost (quoted market value, 1971 — \$3,283,125, 1970 — \$3,109,312)		299,437	299,437
Gulch Mines Limited — at net cost, (quoted market value, 1971 — \$25,000, 1970 — \$42,500)		52,626	52,626
Francana Minerals Ltd. — at cost (Note 2) (no quoted market value)		1,260,000	1,260,000
Government of Canada Bonds — at cost			2,010
Advances to and Investment in Craskie Mines Limited — at cost (no quoted market value)		29,776	29,555
Province of Ontario Mining Properties — Geraldton area		1,191,262	1,191,262
Furniture and Equipment — at cost		3,797	3,797
Deferred Exploration, Development and Other Expenditures (net) — Exhibit B (Note 4)		1,141,584	1,110,443
		<u>\$4,334,150</u>	<u>\$4,370,566</u>

Auditor

The Shareholders,
Tombill Mines Limited:

We have examined the balance sheet of Tombill Mines Limited as at 31st December 1971 and the statements of deferred exploration, development and other expenditures and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
15th February 1972.

ES LIMITED

(Incorporated in the Province of Ontario)

EXHIBIT A

31st December 1971

(for comparison)

LIABILITIES		1971	1970
		<u> </u>	<u> </u>
Current:			
Accounts payable and accrued	\$	8,266	\$ 6,427
Bank Loan — secured (Note 1)		280,000	280,000
Capital Stock:			
Authorized —			
5,000,000 shares of no par value			
Issued —			
4,650,000 shares		3,831,500	3,831,500
Earned Surplus	\$	252,639	252,639
Deduct — Interest paid on bank loan (Note 1)		38,255	
		<u>214,384</u>	

Approved on behalf of the Board:

J. A. GRANT, Director.

K. S. DALTON, Director.

<u>\$4,334,150</u>	<u>\$4,370,566</u>
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Report

In our opinion these financial statements, when read in conjunction with the notes thereto, present fairly the financial position of the company as at 31st December 1971 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRIER, DYER & CO.,

Chartered Accountants.

TOMBILL MINES LIMITED

EXHIBIT B

Statement of Deferred Exploration, Development and Other Expenditures (Net)

For the Year Ended 31st December 1971

(1970 figures shown for comparison)

	1971	1970
Balance forward from previous year	\$1,110,443	\$1,197,517
Expenditures for the Current Year:		
Exploration and Development:		
Field, engineering and other costs —		
Projects subsequently abandoned	34,987	27,685
Magnesium — Saskatchewan	\$ 1,506	
Saville Option — Ontario	5,516	
Duparquet — Quebec	5,076	
Caribou Lake — Ontario	5,829	
Tyson Option — Ontario	14,831	
Newcastle — New Brunswick	2,229	
Projects in progress	9,419	12,455
Rossport — Ontario	9,419	
General	10,262	11,410
Engineering, geological and technical services	5,386	
Ontario taxes	1,592	
Sundry field expenses	3,284	
	54,668	51,550
Administrative and General:		
Annual meeting, reports and expenses	2,579	2,992
Directors' expenses	356	175
Insurance, licences and fees	467	483
Legal, audit and accounting fees	7,238	5,692
Office and general expenses (net)	2,812	2,723
Rent	4,410	4,410
Salaries — Executive	19,200	19,200
— Office	4,252	9,489
Transfer agent and registrar	1,751	2,574
Travel	1,430	875
	44,495	48,613
Other:		
Account receivable written off		1,745
Total Expenditures for the year	99,163	101,908
Revenue for the Current Year:		
Dividends received	61,800	182,825
Interest earned	6,082	5,978
Other	140	179
	68,022	188,982
Net Expenditure (Revenue) for the year	31,141	(87,074)
Total Net Expenditure to date	\$1,141,584	\$1,110,443

TOMBILL MINES LIMITED

EXHIBIT C

Statement of Source and Use of Funds

For the Year Ended 31st December 1971

(1970 figures shown for comparison)

	1971	1970
Source of Funds:		
Revenue —		
Dividends received	\$ 61,800	\$ 182,825
Interest earned	6,082	5,978
Other	140	179
	<u>68,022</u>	<u>188,982</u>
Funds advanced by company bankers (Note 1)		280,000
Interest on advance to Francana Minerals Ltd. (Note 1)		20,022
Redemption of Government of Canada bonds	2,010	
	<u>70,032</u>	<u>489,004</u>
Use of Funds:		
Advances to Francana Minerals Ltd. (Note 1)		300,022
Advance to Craskie Mines Limited	221	260
Interest due by Francana Minerals Ltd. for the year 1970 on the \$280,000 advance, subsequently waived (Note 1)	20,022	
Interest borne by the company on behalf of Francana Minerals Ltd. for the current year (Note 1)	18,233	
Deferred exploration, development and other expenditures for the year —Exhibit B	99,163	101,908
	<u>137,639</u>	<u>402,190</u>
Working Capital:		
Increase (Decrease) during the year	(67,607)	86,814
Balance at the beginning of the year	135,009	48,195
	<u>\$ 67,402</u>	<u>\$ 135,009</u>
Balance at the end of the year		
Represented by —		
Current Assets	75,668	141,436
Less — Current Liabilities	8,266	6,427
	<u>\$ 67,402</u>	<u>\$ 135,009</u>

TOMBILL MINES LIMITED

Notes to Financial Statements

31st December 1971

1. In November 1971 the company agreed to forgive the interest due from Francana Minerals Ltd. on the \$280,000 advance to them, for the period from the date of the advance, made in February 1970, to 31st December 1971. The total interest borne by the company amounts to \$38,255. The bank loan to the company, covering the advance, is secured by the company's holdings in the Hudson Bay Mining and Smelting Co. Limited.
2. The company owns a 40% interest in Francana Minerals Ltd. through investment in 226,000 N.P.V. common shares and 80,000 5% cumulative redeemable \$10 par value preference shares of that company. To date no dividends have been paid on these holdings.
3. Remuneration of directors and executive officers of the company totalled \$20,850 for the year 1971 and \$21,110 for the year 1970.
4. Deferred exploration and development expenditures, now deductible under section 66(1) of the Income Tax Act 1972, are estimated to total \$1,368,000.
5. For purposes of comparison, the 1970 figures have been reclassified to conform with 1971 classifications.

TOMBILL MINES LIMITED

INTERIM REPORT

TO THE SHAREHOLDERS:

THE INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30TH, 1972 IS PRESENTED HEREWITH.

A LETTER WAS MAILED TO ALL REGISTERED SHAREHOLDERS, DATED JUNE 29TH, 1972, GIVING NOTICE OF CERTAIN SIGNIFICANT CHANGES IN THE COMPANY'S AFFAIRS.

THE COMPANY WILL NOW HAVE A 5% INTEREST IN A JOINT PROSPECTING AGREEMENT WITH HUDSON BAY MINING & SMELTING CO. LIMITED AND ANGLO AMERICAN CORPORATION OF CANADA LIMITED PROVIDING FOR EXPLORATION THROUGHOUT CANADA, WITH THE EXCEPTION OF MANITOBA AND SASKATCHEWAN. TOMBILL'S DIRECTORS ARE SATISFIED THAT THE ANTICIPATED COSTS FOR ITS SHARE IN THIS PROGRAM ARE WITHIN THE LIMITS OF ITS CASH RESOURCES. AS A PARTICIPANT IN A MUCH LARGER PROGRAM THAN IT COULD FINANCE ALONE, TOMBILL'S RESOURCES WILL BE MORE EFFECTIVELY EMPLOYED IN THE INTERESTS OF THE SHAREHOLDERS.

AS THE STATEMENT OF INCOME AND EXPENDITURE INDICATES, EXPLORATION EXPENDITURES WERE CURTAILED DURING THIS FIRST SIX MONTHS OF 1972, BUT IT IS EXPECTED THAT UNDER THE ARRANGEMENTS OUTLINED ABOVE, FUTURE EXPENDITURES OF THIS NATURE WILL INCREASE. HUDSON BAY HAS DECLARED A DIVIDEND OF 20 CENTS PER SHARE, PAYABLE IN JULY, WHICH REPRESENTS THE SAME RATE AS ITS PREVIOUS 1972 DIVIDEND.

JAMES A. GRANT
CHAIRMAN

H.R. FRASER
PRESIDENT

TORONTO, ONTARIO
JULY 24TH, 1972

TOMBILL MINES LIMITED

STATEMENT

OF

INCOME AND EXPENDITURE

FOR THE SIX MONTHS ENDED JUNE 30TH, 1972
(WITH 1971 FIGURES FOR COMPARISON)

	<u>1972</u>	<u>1971</u>
INCOME:		
Interest,		
Dividends and		
Sundry Income	<u>\$48,444</u>	<u>\$50,002</u>
EXPENDITURE:		
Exploration	\$ 5,836	\$18,781
Administration		
and General	<u>21,439</u>	<u>22,649</u>
	<u>\$27,275</u>	<u>\$41,430</u>
EXCESS OF INCOME OVER EXPENDITURE	<u>\$21,169</u>	<u>\$ 8,572</u>

TOMBILL MINES LIMITED

P.O. Box 28
Toronto-Dominion Centre
Toronto 1, Ontario

Mr. Lawrence Welsh,
Toronto Globe And Mail,
Report on Business,
140 King Street West,
Toronto 110, Ontario.

